

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6644

BILL NUMBER: SB 193

NOTE PREPARED: Dec 22, 2009

BILL AMENDED:

SUBJECT: Transfers Between School Funds.

FIRST AUTHOR: Sen. Errington

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the governing body of a school corporation to adopt a resolution to transfer money in a fund maintained by a school corporation to another fund of the school corporation, except to or from the Debt Service Fund.

The bill requires a school corporation to report the transfer between school funds to the Department of Education within six months after making the transfer. It discontinues the ability to make these transfers December 31, 2013.

The bill makes conforming changes.

Effective Date: July 1, 2010.

Explanation of State Expenditures: The Department of Education (DOE) could incur some additional expense with the collection of information schools are required to provide. The additional expense would probably be minor.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill requires schools that transfer funds between funds to submit a report to the DOE within six months of making the transfer. The additional cost of submitting the report is probably minor. The report is to include:

1. The purpose of the transfer.
2. The funds involved in the transfer.

3. The amount transferred between the funds.
4. The impact of the transfer to the programs that are supported by the fund from which the transfer is made.
5. A copy of the resolution authorizing the transfer.

Explanation of Local Revenues: The bill would increase a school's flexibility in the use of money between funds, excluding the Debt Service Fund.

Schools would be required to adopt a resolution specifying the amount of the transfer, funds involved, date of the transfer, and the general purpose of the transfer. The impact would depend on school board action. As an example, a school may decide to delay some project in the Capital Projects Fund plan, funded primarily from property taxes, and then transfer the savings to the school General Fund to pay operating expenses or increased transportation expenses.

Background: P.L. 224-2003 allowed schools to transfer money between funds for the 2004 and 2005 calendar years. However, with the expiration of this provision, beginning in CY 2006, only the school General Fund can be used for any purpose other than school transportation; the other funds can only be used for the purpose set forward in statute.

The following funds and numbers of schools with reported 2008 cash balances follow:

1. General Fund: 100 schools with CY 2008 ending statewide cash balances of \$604.3 M.
2. Transportation Fund: 410 schools with CY 2008 ending statewide cash balances of \$136.5 M.
3. Capital Projects Fund: 350 schools with CY 2008 ending statewide cash balances of \$391.9 M.
4. School Bus Replacement Fund: 420 schools with CY 2008 ending statewide cash balances of \$51.8 M.

The school General Fund is mostly funded by the state. The Transportation Fund, Capital Projects Fund, and School Bus Replacement Fund are primarily funded by property taxes. The property tax controls on the funds are the following:

- Transportation Fund is a levy-controlled fund. The levy is allowed to increase by a certain percentage each year. The control is the same as the civil property tax controls.
- Capital Projects Fund is a rate-controlled fund. The rate is a set level that varies from school to school and is adjusted by changes in inflation.
- School Bus Replacement Fund is a levy-controlled fund. The levy depends on the estimated cost to replace the school bus fleet over a 12-year period.

State Agencies Affected: DOE.

Local Agencies Affected: Schools.

Information Sources:

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